

07 March, 2017

Kingdee (268.HK)

- Kingdee issued FY16 positive profit alert.
- Share buybacks signaled management's confidence in business outlook.
- Maintain Buy due to rapidly growing cloud business and stable traditional ERP business

Kingdee issued FY16 positive profit alert

Management expects net profit to equity holders to grow not less than 150%yoy in FY16, driven by steady revenue growth of traditional ERP business, rapid sales growth of cloud service business and disposal gains of non-core cloud business. Excluding one-off disposal gains of HK\$139 million for non-core cloud business, we see core earnings to grow by not less than 19%yoy to RMB 125 million. FY16 annual result will be announced on 15 March.

Share buybacks signaled confidence in business outlook

Since Dec 2016, Kingdee has repurchased 16.6 million shares at the average price of HK\$2.92 per share. We see it as a positive signal of Kingdee's improved fundamental.

Maintain buy on positive outlook of cloud and ERP business

Kingdee is a leading ERP software provider in China SME market and a first mover in SaaS cloud business in China. Coupled with the enlarged cloud business user bases, healthy balance sheet with net cash since FY15 and the target of increasing cloud business to 50% sales in 2020, we maintain Buy rating.

Financial Summary

Year-End	FY13A	FY14A	FY15A	1H15A	FY16A
Sales (RMB: '000)	1,602,125	1,546,517	1,586,224	757,981	-
Net Profit (RMB: '000)	126,400	197,048	105,766	91,597	264,415
Basic EPS	0.05	0.08	0.04	0.03	0.10
Diluted EPS	0.05	0.07	0.04	0.03	0.10
PE (x)	36.77	24.02	78.01	-	30.42
PB (x)	2.67	2.39	2.70	-	-

Source: Company

Flash Note

Buy

Last price: HK\$ 3.07

Stock Data

Number of shares outstanding: 2,932 million

Mkt cap: HK\$9,002 million

Chairman & CEO: Xu Shao Chun

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Investment Rating System

Stock Rating (12 months)	Remarks
Buy	Stocks with potential positive return exceeding 15% over the next 12 months
Hold	Stocks with potential return of between -15% to +15% over the next 12 months
Sell	Stocks with potential negative return exceeding -15% over the next 12 months
Speculative Buy	Stocks with potential positive return exceeding 20% over the next 6 months, with high volatility
Speculative Sell	Stocks with potential negative return exceeding -20% over the next 6 months, with high volatility
Sector Rating	Remarks
Overweight	Relative performance over Hang Seng Index $\geq 10\%$
Neutral	Relative performance within Hang Seng Index -10% to +10%
Underweight	Relative performance below Hang Seng Index $\leq -10\%$

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